

TOP SECRET

4 September 1951

CIA No. 49331

Copy No.

39

DAILY DIGEST

Office of Current Intelligence

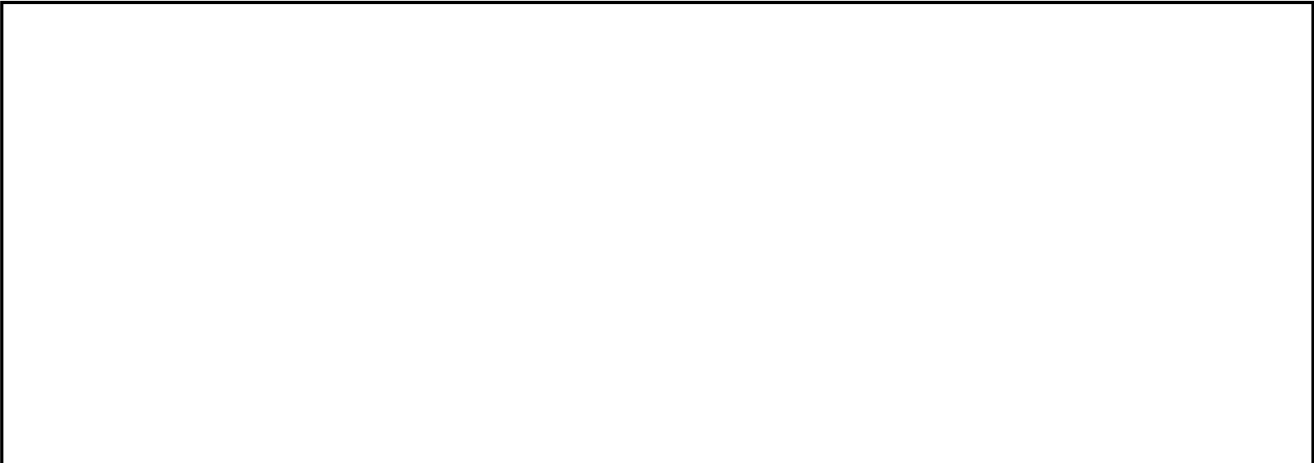
CENTRAL INTELLIGENCE AGENCY

DIA, DOS and ONI
review(s) completed.

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.


TOP SECRET

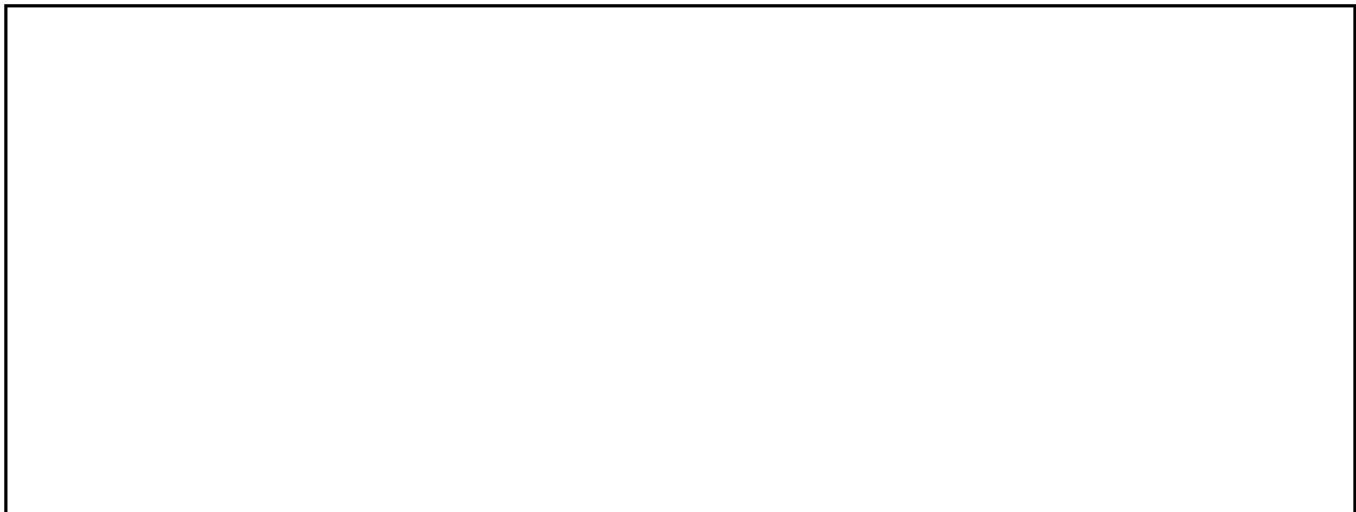
SECTION 1 (SOVIET)



2. Soviet diplomat interested in Japanese peace treaty and unification of Germany: In courtesy calls on all NATO country missions and the Swedish mission as well, the Russian first secretary in Bern talked about two things, the Japanese peace treaty and the unification of Germany.

With respect to the Japanese peace treaty, he showed particular concern over the abrupt nature of the US invitation, which did not appear to permit discussion or alteration of the US-UK draft; he also questioned the exclusion of the Chinese People's Republic.

With respect to the question of German unification, he described the division of Germany as the greatest menace to world peace and said that settlement of the German problem was basic to any larger understanding between the great powers. 



TOP SECRET

TOP SECRET

4. Publishers criticized for ideological errors: Recent press criticism reveals that certain Soviet publishing houses are not adhering strictly to a "high ideological level" in their output. An 18 August Pravda editorial complains that many publishers have erred by stressing quantity at the expense of quality, by failing to produce enough books dealing with "urgent" problems, and by paying almost no attention to the great postwar construction projects.

The publishing house of Gosplanizdat (state planning) is criticized for having underemphasized basic questions of State Economic Planning and for having published works containing "many ideological distortions." Selkhozgiz (agricultural planning) is censured for not disseminating agrobiological knowledge and for having published textbooks and pamphlets on agriculture that failed to expound the progressive Michurin biology. Some of the editors of the Iskustvo publishing house (art) are described as not having had a high-school education, and as being unqualified to perform their tasks.

In conclusion, Pravda observes that Soviet books, whether belles-lettres, scientific or technical, cannot be indifferent to politics, and that therefore local party organs must exert themselves to extend every possible aid to the erring publishing houses.

25X1

Comment: It is interesting to note the three fields of activity selected by Pravda for criticism, since each has been the subject of considerable theoretical and ideological discussion in the press. The Lysenko-Michurin controversy raged for several months, the reviving "nationalistic" tendencies in literature and art have caused an official furor, and reliable information on the progress of the great postwar construction projects is almost entirely lacking.

5. East-West trade meeting concludes with few prospects: According to US observers at the recent East-West trade meetings in Geneva, Western European delegations did not receive any firm indication of a Soviet desire to trade on a mutually advantageous basis. Consequently, no Western delegation would agree to another multilateral meeting. None of them is optimistic about future bilateral talks with the Soviet Orbit, with the exception of the UK, which is currently negotiating a new bilateral agreement.

In the opinion of the Western European delegations, the motivations of the USSR were both commercial and propaganda. Many delegations believe that the USSR is seriously interested in promoting increased trade or at least in maintaining the present level, which is already jeopardized by the general rearmament program and Western trade controls. Soviet participation also obviously bolstered the current "peaceful coexistence" line

TOP SECRET

and may generate pressure against East-West trade controls. At no point did the Communist representatives launch into the usual diatribe against Western European trade restrictions or the US.

A US observer concluded that the Soviet delegation had instructions to press for a broader trade meeting. The Soviet delegation would not specify any details or indicate willingness to reach ultimate agreement on increased East-West trade. [REDACTED]

25X1

Comment: The USSR has not reduced its demands for strategic materials in exchange for Orbit grain, timber or coal, in order to obtain new trade arrangements. The Soviet delegation has, however, obtained information about Western European needs which may improve the USSR's bargaining position in future bilateral talks.

6. EASTERN EUROPE. POLAND. Polish shipping using Chinese crews: US naval sources in Europe report the recent arrival in Gdynia from the Far East of the Polish ship Pokoj with about 20 Chinese "passengers" whom the master described as crew members. The Chinese had no passports or seaman's papers. [REDACTED] this report tends to confirm other indications that Polish ships are employing Chinese crew members on vessels in the Poland-China trade. [REDACTED]

25X1

Comments: The use of Chinese seamen by Polish merchant marine ships engaged in Far Eastern traffic is a logical development in view of the large expansion of Polish-Chinese maritime traffic. In September 1950 Lloyd's shipping register had one 5,000-ton Polish vessel on the Poland-China route. Since then, however, eleven additional Polish or Polish-chartered ships have been assigned to this run.

7. YUGOSLAVIA. US plans for military aid group in Belgrade: In deference to Yugoslav political considerations, the US Government does not intend for the present to establish a standard military mission in Belgrade to supervise US military aid. The US plans instead to add to the embassy staff in Belgrade at least 15 officers drawn from the three services plus approximately an equal number of enlisted and civilian personnel. Although the group would be attached to the service attache offices for administrative purposes, it would operate under its own chief and would have direct access to the Yugoslav military staffs. If the Yugoslav Government indicates misapprehension regarding the duties of this group, Ambassador Allen has been instructed to extend an invitation for several Yugoslav officers to visit Paris in order to observe the operations of the Military Assistance Advisory Group there. [REDACTED]

25X1

8. Further decentralization of Yugoslav economy planned: The Yugoslav Government has published the draft of new economic legislation which

TOP SECRET

TOP SECRET

looks to a limited reversion to the law of supply and demand and a further decentralization in industry. The government hopes that this law will prime the pump of the country's economic system and rectify errors in planning and execution.

Under the new plan, more production planning will be turned over to producers, although the production and distribution of basic goods will still be controlled by the central government. Certain production enterprises will be allowed to retain a portion of their profits. Formerly, all questions of capital investment were determined by the central government; under the new law, only basic capital investments necessary for the further economic development of the country will be directed from above. The law of supply and demand will operate within certain limits in the fields of production and consumer sales and in the establishment of wage levels.

25X1

Comment: A Yugoslav Government spokesman announced in July that new legislation was being formulated which would result in further decentralization and "popularization" of the Yugoslav economy. To this end, the Yugoslav Government has already ameliorated controls on the peasants by reducing and modifying agricultural taxes.

9. TRIESTE. Proposed construction to meet refugee housing problem in Trieste: The Allied Military Government in Trieste is drawing up plans to construct 500 emergency housing units to meet the pressing refugee problem. ECA funds will be required for the project, which can be completed within three to four months from date of contract and which will house 1,500 to 2,000 people. US Political Adviser Unger in Trieste points out that the proposed units will be a potentially important addition to the Zone's strained housing facilities and will alleviate the danger of fire and epidemics -- conditions that lower morale and increase the number of refugees who cannot be resettled.

25X1

Comment: The number of refugees in Trieste camps has reached an all time high of approximately 5,000. Despite repeated Yugoslav assurances that they will assist in curtailing the number, about 400 refugees are entering Zone A from Yugoslavia each month.

Overcrowded conditions in the refugee camps contribute to unrest and dissatisfaction among the refugees, creating a state of mind that makes them undesirable as prospective immigrants to Western nations. Moreover, reports of deplorable conditions in these camps eventually filter back to Eastern Europe and tend to discourage potential defectors.

TOP SECRET

TOP SECRET

10. INTERNATIONAL COMMUNISM. Two more international Communist front organizations meet in East Germany: The International Association of Democratic Lawyers, an affiliate of the Communist World Federation of Trade Unions, will hold a congress in East Berlin from 5 to 8 September under the theme "law in the service of peace." The Union for the Development of Law, a front organization of Austrian Communist lawyers, has been invited to participate in the congress. [REDACTED]

25X1

Comment: East Germany has become a favorite meeting place for international Communist front organizations. An international conference of teachers' unions, also affiliated with the WFTU, has just concluded a five-day session in Erfurt. This meeting made a special call for a teachers' conference in South America to plan an educational system directed toward "peace and democracy." The influential position of members of these two professions make them special targets for Communist organizational efforts.

TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

1. CYPRUS. Nationalists do not plan to bring "Union with Greece" question to UN: The British acting Governor of Cyprus, in a press interview, repeated that the British Government recognizes the principle of self-determination and had offered the Cypriots self-rule under which they could have worked for union with Greece (Enosis) if they had so wished.

The same reporter also interviewed the Archbishop of Cyprus who reportedly said that the Cypriots wanted only union with Greece, not self-government, but that the question would not be taken to the UN now because of the international situation. [REDACTED]

25X1

Comment: Union of Cyprus with Greece is perennially agitated in Cyprus and is favored by the majority of the Greek population although opposed by the 17 percent Turkish minority. Many businessmen who support union are actually fearful that should it occur the more stable Cypriot economy, now based on sterling, would have a very uncertain future tied to the Greek drachma. The rightist nationalists, backed by the church and sensitive to the strategic position which Cyprus occupies in the Eastern Mediterranean, probably feel that any move toward union with Greece at this time would be tactically unwise.

2. IRAN/AFGHANISTAN. Afghanistan and Iran reportedly sign oil agreement: Agreement between Iran and Afghanistan for the delivery of Iranian oil to Afghanistan has been formally announced in Kabul. The US Embassy in Afghanistan, in expressing doubt over the feasibility of overland transportation, points out that the roads linking Iran with Afghanistan are inadequate for regular and sizable oil shipments. [REDACTED]

25X1

Comment: Both countries are impelled by obvious propaganda motives. Afghanistan wishes to free itself from dependency upon Pakistan and the USSR. Iran needs to sell oil. The entire annual volume of Afghanistan's oil consumption, however, is equivalent only to a small fraction of one day's normal production of the Abadan refinery.

Details of the reported oil agreement have not been released. In any event implementation will be slow and of no present tangible benefit to either country.

TOP SECRET

TOP SECRET

3. IRAN. Iranian official pessimistic over economic situation: An Iranian [redacted] believes that the only government policy in Iran is that of wasting the country's resources. The only hope would be if the Shah, supported by the US and UK, should undertake reforms personally, or give complete support to some one else able to carry such measures. [redacted]

25X1

25X1

Comment: The views expressed by this official may represent the opinions of many more moderate Iranians who have opposed, although not always spiritedly, the Prime Minister's handling of the oil situation. The Iranian Government has announced extensive plans for agricultural and irrigation projects in an attempt to relieve the unemployment situation caused by the shut-down of the oil fields. Such plans, however, would do little to alleviate the approaching crisis.

4. Iranian army morale may face test: [redacted] while the Iranian Army is still being paid promptly, there is a possibility that pay may have to be suspended if Iran's critical financial condition does not improve. [redacted] such a suspension would impair the army's morale and efficiency, but not to the point where mutiny or other disloyal activities would be likely. [redacted]

25X1

25X1

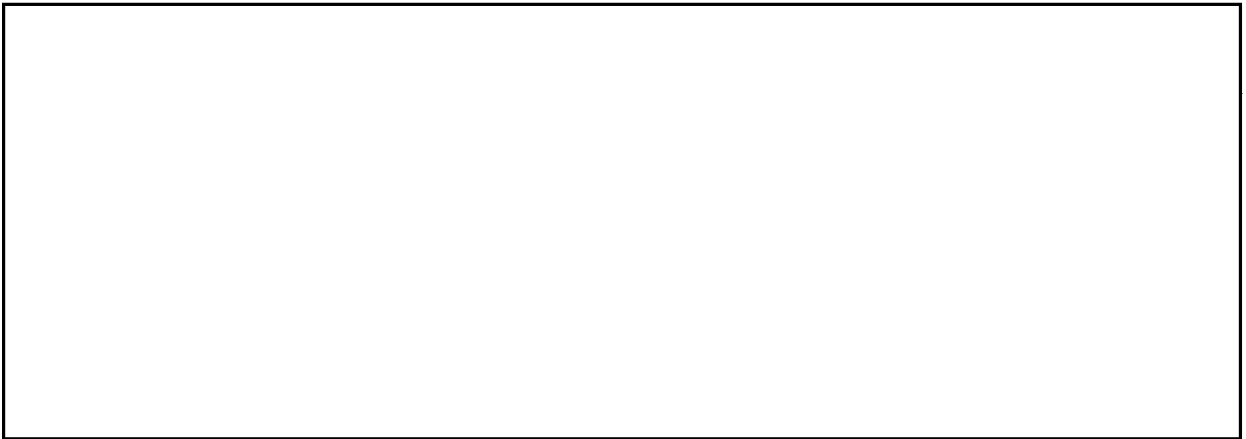
Comment: Although Iran's financial situation is serious, current estimates indicate that the government will be able to maintain its current rate of expenditures for several months.

25X1

TOP SECRET

TOP SECRET

25X1



6. INDIA. US Embassy comments on crisis in Congress Party: The struggle for control of the Congress Party which began in 1950 when the conservative group elected Tandon president, defeating the progressive pro-Nehru group, may shortly be brought to a head, according to the US Embassy in New Delhi. The gradual withdrawal of opposition members has largely been caused by Tandon's strategy to drive out his opponents but to retain Nehru, whose ability to command mass support in the elections is unquestioned.

The embassy believes no reliable forecast can be made of the outcome at this time. The All-India Congress Committee (AICC) is holding an important session on 3 September, at which time either Tandon or Nehru may be determined to force a showdown. Present indications are that if the AICC is forced to make a choice between Tandon and Nehru, it will choose Nehru rather than face the prospect of fighting the elections without him. [REDACTED]

7. BURMA. Burma continues to permit transshipment of tires to China: The US Embassy in Rangoon reports that despite a Burmese Government order designed to curtail illegal shipments of tires to China, customs records show that transshipments are continuing. According to a Burmese official, his government has no legal basis for stopping transit trade so long as "payments for material shipped in transit are not made with foreign exchange owned by Burma." [REDACTED]

Comment: The embassy has previously observed that the only effective way to prevent export of tires from Burma to China is to limit Burmese imports.

TOP SECRET

TOP SECRET

25X1

9. Growing Karen-Communist cooperation reported: The US Embassy in Rangoon reports that it has received information which indicates increasing cooperation between Karen and Communist insurgents. Reportedly, some Karens have already gone to China for indoctrination, the Karen high command in the Irrawaddy Delta now favors moving northward with the Communists who are "pulling out soon," and Communist proselytizing among the Karens has been accelerated.

The embassy also reports that the Burmese Government is planning a political settlement with the Karens, but only after a major offensive against the Karen stronghold in eastern Burma. The embassy fears that such action would render impossible a reasonable political settlement, facilitate a Communist-Karen deal and force many neutral Karens to join the insurgent ranks. [REDACTED]

25X1

Comment: The possibility of Karen cooperation with the Communists has increased as the Karen position has become more desperate. Contrary to popular conception, approximately 90 percent of the Karens are non-Christians. Their cultural backwardness also exposes them to exploitation by the Communists. Thus, the embassy's fears are well founded.

10. Chinese cultural delegation to visit Burma: The Burmese Prime Minister recently informed US Ambassador Key that a Chinese Communist cultural delegation headed by the Deputy Minister of Cultural Affairs is expected to visit Burma in November after spending a month in India. He stated he does not attach much significance to the matter, although pro-Communist elements could be expected to represent it as a development of major importance. [REDACTED]

25X1

Comment: Although the Burmese Government is unlikely to make any special facilities available to the Chinese delegation, the Prime Minister is obviously attempting to soften the US reaction to such a visit.

TOP SECRET

TOP SECRET

11. MALAYA. New Director of Operations named: The press has announced the appointment of General Sir Rob Lockhart to succeed Lieutenant General Sir Harold Briggs on the expiration of the latter's term in November. General Lockhart had retired in 1948 after a long career in India, where he had been the first C-in-C of the Indian Army after the transfer of sovereignty.
-

25X1

12. THAILAND. Political candidates from south reflect growing Phao influence: Of the 25 candidates from Thailand's five southern provinces who have announced their intention to run for Parliament in the next general elections, the US Embassy in Bangkok reports that ten are supporters of Police Director Phao, eleven belong to other pro-government parties and only three are opposition Democrats. The embassy comments that this is indicative of the important part Phao and his clique will play in the elections, and of the decline of the Democrats who heretofore have been strong in the south.
-

25X1

Comment: There are numerous indications that the General Phao is making a major effort to supplement his military strength with an effective political machine.

13. Prime Minister forms important political committee: Prime Minister Phibun has formed an "unofficial" political committee composed of himself, Army C-in-C Phin, Police Director Phao, a former foreign minister under Pridi, and ex-Prime Minister Thamrong. While the purpose of this committee is not yet clear, apparently it is to concern itself with internal political strategy, possibly leading to a broadening of the government after the March elections to include pro-Pridi elements. The US Embassy in Bangkok observes that Phibun has previously made efforts to bring fresh elements into his government, but such efforts have always been opposed by Phin and Phao.
-

Comment: Phibun may be attempting to win new support to offset the growing influence of the ambitious General Phao.

TOP SECRET

25X1

Approved For Release 2005/01/26 : CIA-RDP79T01146A000400070001-1

Next 1 Page(s) In Document Exempt

Approved For Release 2005/01/26 : CIA-RDP79T01146A000400070001-1

TOP SECRET

25X1

19. Rubber cargo for China delayed by Polish bunkering difficulties:
The Polish vessel Kilinski, scheduled to call at Colombo, Ceylon, to pick up a cargo of rubber for China, has canceled its Colombo call because of inability to secure sufficient bunker fuel. The Poles have indicated that another Polish vessel may be available at the end of September to load the rubber cargo.

25X1

Comment: Polish difficulties in securing bunker fuel from Western oil companies are responsible for delaying rubber shipments to Communist China from Ceylon. Financial arrangements are already completed, and the Ceylonese Government has indicated that it will not interfere with the movement of rubber cargo to the Communists, although Ceylonese officials are refusing to help in efforts to get fuel for Polish vessels.

25X1

21. South Korean Army and Air Force dispute control of ROK air arm: Disputes between the ROK Army and Air Force regarding control and utilization of light aircraft are beginning to assume serious proportions. It is now rumored that the army will take over light aviation in the near future, certainly by 1 January. The Air Force Chief of Staff states he will not release the pilots in training. The US Army Attache in Seoul believes the

TOP SECRET

TOP SECRET

Chiefs of Staff of both services could reach agreement were it not for pressure from outside military authorities. The ROK Air Force has recently been successfully utilized in several anti-guerrilla operations, especially in southwest Korea. [REDACTED]

25X1

Comment: While the ROK Air Force is very small, its recent anti-guerrilla successes have demonstrated its potential for the maintenance of internal stability. The ROK cannot afford two air forces. It is probable that US suggestion could clear up this squabble.

22. JAPAN. New Sterling Area trade agreement is signed: A new Anglo-Japanese over-all payments agreement, expressed in pounds sterling, was signed in Tokyo on 31 August. The new agreement eliminated the stipulation, contained in the previous agreement, that settlement of balances would be in dollars. [REDACTED]

25X1

Comment: The new agreement, through the elimination of the threat of a dollar drain on the part of the UK, should stimulate Japan's trade with the sterling countries. Many Japanese fear, however, that Japan will find itself with large accumulations of unexpendable sterling and a shortage of dollars with which to purchase vital imports. These latter look upon the recent negotiations as a defeat for Japan in its first postwar independent bilateral discussions.

TOP SECRET

TOP SECRET

SECTION 3 (WESTERN)

25X6

2. East Germany attempts to expand illegal trade to alleviate pinch of Western trade restrictions: Due to Western prohibition of exports from West Germany to East Germany (a counter-measure to Soviet restrictions on exports from West Berlin), East Germany has begun to experience material shortages and is having difficulty meeting reparations quotas and filling export orders.

In an effort to alleviate the shortages, East Germany is attempting to expand the volume of illegal shipments from West Germany. Various West German trade circles which have shown willingness to evade West German trade controls in the past are being pressured to increase their illegal activities, while triangular transactions are being expanded, with the Hamburg Free Port

TOP SECRET

TOP SECRET

in particular being used. A Swiss firm is particularly notorious for these transactions. The apparent increase in Soviet East German confiscation of West Berlin trucks at the Berlin-Helmstedt highway check point may also be an indication of a new technique of evasion. It is possible that this technique is pursued with the connivance of Western firms engaged in delivery of strategic materials. [REDACTED]

25X1

Comment: Although the West German Government has indicated a willingness to join with the Allies in eliminating the flow of illegal shipments to East Germany, it is evident that procedures for enforcing controls are by no means completely effective. It is unlikely, however, that East Germany can expand illegal shipments sufficiently to compensate for the loss of legal trade, and if the present trade impasse continues the East German economy will be progressively damaged.

3. AUSTRIA. Communists denounce alleged US participation in sabotage case: The Soviet-Communist press has reacted sharply to the protection granted in the US zone to an Austrian Communist allegedly responsible for a 300,000-schilling fire in a Soviet-managed plant in Vienna. To a Communist charge that the accused operated under US directives and obtained US/CIC protection, High Commissioner Donnelly has publicly denied CIC implication in the sabotage, but taunted the Communists with the observation that it is an interesting commentary when an admitted "Leninist-Communist" seeks American protection from the threats of Stalinist persecution. The US Legation believes that Communist interest in the perpetrator of the crime [REDACTED]

25X1

[REDACTED] stems from fear of a widespread anti-Stalinist plot.

The Communist Der Abend has further utilized this opportunity to publicize widely the so-called "Nocker case" in which the Austrian Ministry of Interior was caught last March in a tug of war between the US and Soviet headquarters. According to the Communist version, the American authorities intervened with the Austrian Government to obtain the protection of Nocker and his associates, described as gangsters and prostitutes, whose arrest had been demanded by the Soviet Kommandatura on charges of participation in a US-instigated plot to encourage widespread defection among Soviet troops stationed in Austria. [REDACTED]

25X1

Comment: The episodes are significant of the continuing security problem of the Austrian Ministry of Interior and its difficulties in controlling police officials in the Soviet zone. Following widespread public criticism last April of Soviet use of Austrian police to secure arrests and abductions of persons, it was reported that the Soviets had ordered an abandonment of this procedure. This now appears to have been prematurely reported. Minister Helmer's efforts to purge Communist influence from the

TOP SECRET

TOP SECRET

police force have had only limited success. The Der Abend account of the Nocker affair bears sufficient resemblance to official Austrian reports to indicate that the Communists retain ready access to at least some files in which they have particular interest.

4. SWITZERLAND. Nation's position in event of war is still ambiguous: A top-level official of the Swiss Foreign Office recently declared to the US Minister, in what the latter calls "a strong statement indeed," that "as regards our neutrality, our hearts, our minds, and our actions, we are pro-West." He added that in the event of war with the USSR, "we are prepared not to be neutral." The US Minister states flatly that the Swiss in general show much more awareness of the Soviet threat to their system of democracy than they did of the Nazi threat. [REDACTED]

25X1

Comment: It is not clear whether the Swiss official's statement means that the Swiss would actively join Western Europe in resisting Soviet attack or, and more probably, that the Swiss would stop all commercial intercourse with the USSR, should the latter initiate general hostilities.

5. UNITED KINGDOM. British say rise in their defense expenditures for NATO is impossible: The British have submitted to the NATO Financial and Economic Board secretariat a memorandum giving their estimate that between now and 1954 an additional expenditure of 2,130 million pounds on defense goods and services above present plans will be necessary if their defense efforts are to meet tentative UK obligations under the interim force allocations and Standing Group planning assumptions. The memorandum points out that the present defense program is a considerable burden, made even heavier by recent unanticipated events, and concludes, "The assumption of additional load is out of the question." [REDACTED]

25X1

Comment: The above quotation, though not a top-level pronouncement, foreshadows the position the British Government will be very likely forced to take because of the country's basic economic condition and its effect on the domestic political situation. Aware that the US plans, during various NATO meetings this fall, to stimulate promises of additional European defense efforts, the UK is now dropping well-documented hints [REDACTED] regarding its incapacity to increase the present rearmament program.

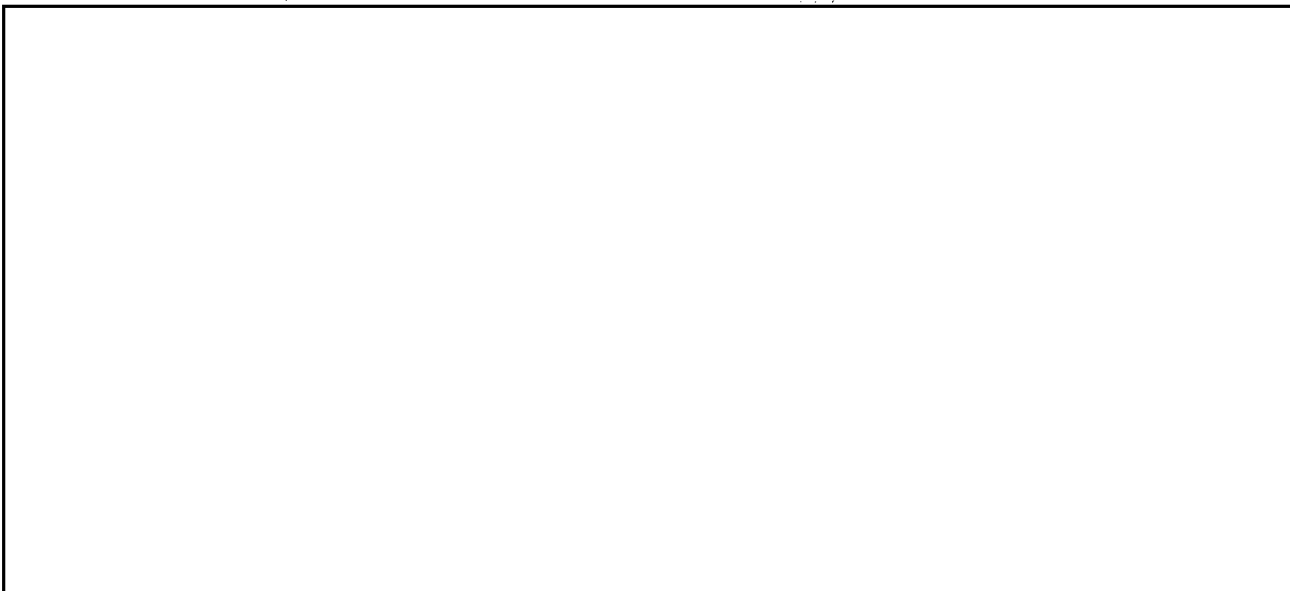
25X1

25X6

TOP SECRET

TOP SECRET

25X6



7. ARGENTINA. Government decrees cattle deliveries to alleviate meat shortage: The Argentine Government has taken drastic steps to alleviate the shortage of meat for consumption in the capital and for export to Britain [redacted]

25X1

[redacted] It decreed that cattlemen should start delivering stock in amounts equal to those of the last quarter of 1950 under penalty of seizure for noncompliance. During the past two months cattle deliveries have dropped 50 percent. The shortage is attributed to producers' resistance to price ceilings fixed on 6 July, increased consumption in the interior of the country, and the drought's reduction of herds. [redacted]

25X1

Comment: The gradual decline in Argentina's exportable surplus of meat is significantly reducing its sterling and dollar earning capacity. It also reduces the Argentine potential for logistical support in the event of a war. The government recently raised retail meat prices an average of 34 percent in an effort to improve the meat situation.

8. Senora de Peron renounces candidacy for vice-president: In a 31 August broadcast, Senora de Peron announced that she had reached an independent and irrevocable decision to renounce the great honor of her nomination for vice-president. She explained that now those doubters of her sincerity "will never be able to say that all my work was spurred on by mean and personal ambition." She wanted it understood clearly that she was not abandoning the battle. She will continue her work in the General Confederation of Labor as the spokesman of the workers, and, through her work and "example," she wishes to consolidate the material and moral forces of the men's and women's branches of the Peronista Party. Following Evita's speech, Peronista Party and labor spokesmen announced that they would accept

TOP SECRET

TOP SECRET

her decision because "Eva Peron and the people constitute a single and indestructible force." It was later announced that the incumbent vice-president, Dr. Hortensio J. Quijano, has been designated Peron's running mate in the 11 November elections.

25X1

Comment: Evita's withdrawal, forced by army pressure, removed the main threat to Peron's regime. The current position of Col. Domingo Mercante, Governor of the Province of Buenos Aires and would-be Peronista candidate for vice-president, has not been defined. Considerable political maneuvering continues, and it is possible that he has bargained to retain his important governorship, which Evita's brother, Juan Duarte, has been trying to wangle.

TOP SECRET

TOP SECRET

UNCLASSIFIED when filled in form is detached from controlled document. Approved for Release: 2005/04/26 : CIA-RDP79T01146A000400070001-1

CONTROL AND COVER SHEET FOR TOP SECRET DOCUMENT

DOCUMENT DESCRIPTION		REGISTRY
SOURCE		CIA CONTROL NO. 49331
DOC. NO.		DATE DOCUMENT RECEIVED
DOC. DATE		
COPY NO.		LOGGED BY
NUMBER OF PAGES		
NUMBER OF ATTACHMENTS		

ATTENTION: This form will be placed on top of and attached to each Top Secret document received by the Central Intelligence Agency or classified Top Secret within the CIA and will remain attached to the document until such time as it is downgraded, destroyed, or transmitted outside of CIA. Access to Top Secret matter is limited to Top Secret Control personnel and those individuals whose official duties relate to the matter. Top Secret Control Officers who receive and/or release the attached Top Secret material will sign this form and indicate period of custody in the left-hand columns provided. Each individual who sees the Top Secret document will sign and indicate the date of handling in the right-hand columns.

[illegible]

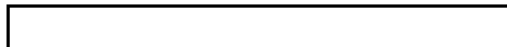
NOTICE OF DETACHMENT: When this form is detached from Top Secret material it shall be completed in the appropriate spaces below and transmitted to Central Top Secret Control for record.

DOWNGRADED		DESTROYED		DISPATCHED (OUTSIDE CIA)	
TO		BY (Signature)		TO	
BY (Signature)		WITNESSED BY (Signature)		BY (Signature)	
OFFICE	DATE	OFFICE	DATE	OFFICE	DATE
Approved For		Release 2005/01/26 : CIA-RDP79T01146A000400070001-1			

TOP SECRET

4 September 1951 *ab*

CIA No. 49331-A
Copy No. *39*
ph



25X1

TO THE DAILY DIGEST

Not for dissemination outside O/CI and O/NE.

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

1. IRAN. Council of Ministers gets economic program for Khuzistan: The recently formed Board for the Development of Khuzistan has presented a comprehensive program for the economic development of this province to the Iranian Council of Ministers. The program envisages the construction of a sugar factory, cultivation of rubber plants, setting up of ice factories, and the growing of dates. It is to be financed from part of the money taken from the note cover reserve and from the Export-Import Bank loan. Commenting that the program probably represents government efforts to convince the public that the unemployed oil workers will be taken care of, the US Embassy states that the large scope of the program and the lack of preparation would hardly promise quick implementation. [REDACTED]

25X1

Comment: The presentation of the Khuzistan program may be interpreted as an attempt to bring indirect pressure on Britain. Tying the funds for this program to the anticipated Import-Export loan also involves the US.

2. INDOCHINA. Cambodia to withdraw reparations claims: The head of the Cambodian delegation to the San Francisco conference, on departing from Pnom Penh, told the US Charge that Cambodia would not put in any claim for reparations "except in a sense favorable to the US." While noting that this decision is not final, the Charge regards it as a hopeful sign. [REDACTED]

25X1

Comment: On previous occasions Cambodian and Vietnamese officials have indicated that they attach great importance to the possibility of obtaining reparations from Japan. US officials in Indochina have advised against reparations claims in view of Japan's inability to pay. Vietnam has moderated, though not renounced, its original demands for reparations.

25X6

TOP SECRET

TOP SECRET

25X6

4.

25X1

25X1

5.

French concurrence in Germany's admission to NATO is foreseen for 1952: According to a report from the US Embassy in London, a "responsible official" in the French Foreign Office has stated that he and some of his colleagues are personally convinced that Germany's membership in NATO is both inevitable and desirable.

These officials emphasize, however, that the worst way of accomplishing this would be for the US or UK to raise the issue with the French before or at the time when the Germans agree to a defense contribution. In the opinion of the source, French public opinion would be able to accept German

TOP SECRET

TOP SECRET

membership in NATO about six months after that date, or about mid-1952.

25X1

Comment: This is the first indication that any French Government officials are prepared to consider German admission to NATO at a definite future date. In all aspects of the German problem, French officials stress the importance of careful timing in order to insure that German commitments to the common defense will induce a further swing of public opinion in favor of new steps toward German equality. A relatively tolerant attitude toward Germany has been developing since July 1949, when Schuman informed the Assembly that Germany's participation in NATO was "unthinkable" and a question that "can never come up now or even at a later date."

6. French Premier believes coal shortage number one problem: French Premier Plevin has told Ambassador Bruce and Mr. Harriman that the general European coal shortage poses the "greatest problem" presently facing France.

The French feel that solutions for this problem should be canvassed in the imminent Foreign Ministers' talks. One possibility would be to finance coal shipments from the US out of military assistance, if the coal is to be devoted to the manufacture of military items. A case in point would be coking coal for steel products such as plates, for export to the US.

25X1

Comment: According to official French estimates as of 1 July, France will produce about 55 million metric tons of coal in 1951 and obtain 5 or 6 million tons from the Saar. The balance of French import needs for 1951 is estimated at over 15 million tons, of which the traditional suppliers in Europe cannot furnish more than 9 million tons. Less than one-fourth of the other 6 million tons, for which France looks to the US, was obtained in the US in the first half of 1951. Meanwhile, vital French steel production is at only 80 per cent of capacity.

The Office of ECA's Special Representative in Paris estimates that foreign demands upon the US for coal in fiscal year 1952 might rise as high as 30 million tons at a cost representing about three-fourths of total US foreign economic aid.

The Office of the Special Representative and the chairman of the OEEC agree that the coal shortage is due to political rather than technical factors, but the OEEC chief was cool toward ECA's suggestion that he spark a movement by the European themselves to evolve a solution.

7. Schuman adds Moroccan question to Washington agenda: French Foreign Minister Schuman plans to add the Morocco question to the agenda for his bilateral talks with Secretary Acheson. A memorandum outlining France's policies

TOP SECRET

TOP SECRET

and practices is now being drafted.

Because the foreign office believes that US officials want future French policy to be built around the nationalist Istiqlal party, the memorandum will disparage the party and point out that Istiqlal rule would result only in civil war and chaos. The French will draw heavily on the paradox of US and USSR support of Istiqlal, and stress the "advantages to the West of a cooperative Morocco in case of war."

The memorandum will not contain an over-all plan for the progressive independence of French North Africa, a policy long recommended by US diplomats.

25X1

Comment: French sensitivity over US influence in their Moroccan protectorate has become an obsession. No US diplomat has ever suggested that French policy be built around the Istiqlal party, which does not have US official support but also has rejected all Communist overtures. The US has repeatedly urged that the French adopt a concrete program looking toward greater autonomy for Morocco -- a policy similar to the granting of independence to the Philippines. These recommendations have been rejected by the French, who hope to maintain hegemony in this strategic area by repressing all inclinations toward political growth on the part of the native population.

25X6

9. LATIN AMERICA. Attitudes of Latin American delegates to the Japanese Treaty Conference: Each of the twenty Latin American republics plans to send a delegation to sign the Japanese treaty at San Francisco, according to Department of State cables. Each supports the US in principle although some, particularly Peru and Venezuela, have expressed concern that the wording of the treaty does not make absolutely clear their right to retain Japanese property which was seized during World War II.

TOP SECRET

TOP SECRET

Following Department of State's assurances that all the points raised are covered by the treaty, the Peruvian Foreign Minister told the US Ambassador in Lima that he has instructed the Peruvian delegate to sign "with no reservations." The US Embassy in Caracas reports that the Venezuelan Foreign Office seems satisfied with the Department's comments, although the possibility of a declaration of interpretation at the conference still exists. Until specific assurance to the contrary is received, it must be considered that Peru also might make such a declaration.

TOP SECRET